

25 October 2019

Waterco Limited (ASX Code: WAT)

Chairman's Address at the 2019 Annual General Meeting on 25 October 2019

Chairman's Address

The Annual Report for the financial year ended 30 June 2019 has been made available to shareholders and other interested parties, as usual. Included in the report was the CEO's Review of Operations for the year, wherein I provided a summary of our operations and touched briefly on the outlook for the year ahead. I shall, therefore, avoid repeating what I have written there and, in this address, I shall focus on providing more information on the factors that will influence our outlook for the financial year ending 30 June 2020.

We have completed the first quarter of trading in the new financial year. This quarter also represents the pre-season in Australia and New Zealand and the end of the season in the northern hemisphere.

This quarter's results show external sales growth of 3% on a Group Basis. Group average gross margin was steady. While there was an improvement in China, confidence is still affected by the continuing trade war between China and the USA.

The North America and Europe Division continue to improve on previous years with USA recording a significant increase in sales on the previous corresponding period. We are working towards bringing about a sustained increase in sales flowing through to the rest of the financial year.

Both of the Swimart Shops that were the result of an unplanned takeover at the end of the previous season (in FY19), have now been sold. Most of the operating expenses of one of these shops (incurred in the previous financial year), have now been recovered.

Taking these factors into consideration, we are projecting a full year Net Profit After Tax of \$2.6 million. This figure reflects our cautious stance towards the situation in China. We are, however, confident of the profitability of the Group, as a whole.

Fundamentally, our operations have not changed. We continue to pursue innovation and improvement in our share of the water-treatment sector. There has been steady progress in these areas in the past few years and we expect to see that continue.

I would like to thank Waterco's shareholders for their continuing support, and my fellow directors, the management and the employees for the efforts they have put in during the year.

Yours faithfully

WATERCO LIMITED



SOON SINN GOH
CHAIRMAN/CEO

About Waterco Ltd – www.waterco.com

Established in 1981 and listed on the ASX in 1989, Waterco (ASX: WAT) manufactures and distributes a diverse range of products for the international swimming pool and water treatment markets. Waterco is also the franchisor of Swimart, Australia and New Zealand's largest network of pool and spa retail outlets, and is also the distributor of Zane Pool Heating solutions via a network of Australian dealerships.

Waterco delivers high quality, innovative products at exceptional value in over 40 countries. This includes a comprehensive range of swimming pool & spa equipment and chemicals as well as domestic and industrial water treatment equipment.

The company's head office is in Sydney, Australia with international offices, manufacturing plants and warehouses located in Australia, New Zealand, Malaysia, Indonesia, Singapore, China, USA, Canada, France and the UK.